

Development of Social Enterprises in Rural Island Tourism in China

中国海岛乡村旅游的社会企业发展

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Abstract:

This paper discussed the major development stages of social enterprises (SEs) in rural island tourism in China. The authors established a conceptual framework with which to analyze the key factors affecting development under the context of Chinese social and economic institution. Informed by the SE life cycle model, the study adopted a case study approach with the Boxue Eco Village on Hainan Island as the case. Data were collected through in-depth interviews, focus group interviews, and observations. Institutional characteristics at every stage, including entrepreneurial, collectivity, standardization, and refinement, were analyzed. Based on the specificity of SE of rural tourism in this case, the authors summarized the influencing factors that shaped the development process of the enterprises. First-hand data were collected through interviews with entrepreneurs, management staff, villagers, and other stakeholders. The model was modified according to the research results, and provides a more integrated model suitable for SEs in Chinese islands. This study established a conceptual framework with which to analyze the development process of SEs in rural tourism within the institutional context of China. This framework could be applied to understand the substantial development of emerging SEs in China.

本文讨论了中国海岛的乡村旅游中，社会企业发展的主要阶段。作者构建了一个概念模型，通过分析案例，总结了影响社会企业发展的因素。研究采用实地观察、深度访谈、焦点小组、问卷调查、文献分析等多种方法，收集了丰富的数据。研究发现，社会企业的发展受到政策支持、市场需求、企业自身能力、社区参与等多种因素的影响。研究还发现，社会企业在促进社区发展、保护海岛环境、传承海岛文化等方面发挥了积极作用。最后，文章提出了促进社会企业发展的政策建议，包括加强政策支持、完善法律法规、提高企业自身能力、加强社区参与等。

Keywords: social enterprise; rural tourism; island destination; influencing factors;

Tourism in China

关键词：社会企业；乡村旅游；海岛目的地；影响因素；中国旅游

Introduction

Social enterprises (SEs) are often regarded as the third type of organizational structure that are nongovernmental or nonprofit (Dees, 1996). SEs usually exist to achieve a specific social goal that cannot be addressed adequately by established organizational structures and the traditional way of business thinking. SE development depends significantly on the innovations of entrepreneurs and governmental support (Park & Wilding, 2013; Parkinson & Howorth, 2008; Spear, 2006). Governments worldwide have begun to undertake various mechanisms to support SEs. These initiatives were included in the 2002 Social Enterprise Unit of the UK and the 2009 White House's Office of Social Innovation. Capital funds have been established in Europe and the United States to support the development of SEs. These initiatives commonly permit SEs to bypass some of the regulatory burdens by equating them with nonprofit organizations.

SEs are emerging in mainland China since the early 2000s (Cui, 2013). SEs rely on self-owned social capital, social investment, and government support (Pache & Chowdhury, 2012). Funding has long been considered one of the most serious problems for the development of social entrepreneurs SEs in China. On the government side, at present, the Chinese government mainland China does not have such special funds similar to as the "Social Enterprise Development Fund" of the Hong Kong Government or the "Social Enterprise Incubation Fund" of the British Government. Although some local governments offer "social venture capitals" and conduct "public bidding", these policies generally favor social services, social welfare, and other specific areas of social enterprises, it is making it difficult to include more fields of social enterprises. As a result, social investment from the private sector is highly anticipated.

Besides the issue of funding, SEs in China face a number of limitations that include unclear social values of entrepreneurs, unstable growth conditions, unfeasible management modes, and uncertain sustainable growth potential (He, 1999). Research on Chinese SEs is sparse, especially on its development, operation, and innovation (Lin, Xian & Chen, 2010), influencing factors (Sun, 2010), and case studies or comparative analyses of Chinese and foreign SEs (Wang, 2012).

Rural tourism is one of the most popular means by which China tends to take SE forms (Mu, 2013). Rural tourism SEs are especially important in the context of island tourism development because the islands' limited resources accentuate various problems faced by a typical SE development (Baldacchino, 2012). SEs that provide rural tourism services have been the focus of a number of studies (Du & Qin, 2011; Guo, 2010; Zhang, 2011).

The purpose of this study is threefold. Through studying the Boxue Ecological Village (BEV) in Hainan Island, China, the study achieves the following objectives: (1) to understand the current life cycle of SEs in China; (2) to examine the influencing factors along the stages of the life cycle; and (3) to explore the impacts of SEs on tourism development and community involvement. BEV is among the earliest development of SEs that provides rural tourism-related service in China. Hence, through the analysis of this case, we may have an in-depth understanding of the growth path and influencing factors of the emerging SE in China.

Literature Review

Definitions of SEs

SEs have been defined in various ways, but these definitions tend to converge on core themes. Mair (2012) characterizes SEs as “the creation of a social value that is

produced in collaboration with people and organizations from the civil society who are engaged in social innovations that usually imply economic activity.” Reis (1999, p. 15) defines it as “applying business expertise and market-based skills in the nonprofit sector.” Dees, Emerson, and Economy (2002b, p4) provides a more nuanced definition, suggesting that SEs should play the role of change agents in the social sector by “adopting a mission to create and sustain social value; recognizing and pursuing new opportunities; engaging in a process of continuous innovation, adaptation, and learning; acting boldly without being limited by resources; and exhibiting heightened accountability to the constituencies served and for the outcomes created.” Additionally, the Department of Trade and Industry in the UK (2002, p. 7) characterizes SE as a “business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders or owners.” The White House’s Office of Social Innovation and Civic Participation cites the following as its mission: “bottom-up, innovative, and results-oriented community solutions agenda.” The central theme of these definitions is that an SE is a type of entity that has a primary social purpose, often generates revenue, and is innovative in the means by which it achieves its goals.

The initial formation of SEs stemmed from the economic crisis and failures of welfare state policies and was aimed at addressing social issues through business operations (Wei, 2005; Nicholls, 2006). Yu, Zhang, and Lai (2011) categorize SEs into three types connected with policies from the aspect of the development source, as follows: (1) privatization and socialization of public welfare system pushed forward by government reforms, (2) marketization transition of NPOs when breaking through the development dilemma, and (3) inter-departmental cooperation between enterprise

social responsibility and venture philanthropy.

Table 1: appended at end

Life Cycle of SEs

Quinn and Cameron (1983) summarize a seminal model of the organizational life cycle of SEs by synthesizing nine popular yet diverging models. The summary model contains four stages, namely, *entrepreneurial*, *collectivity*, *formalization and control*, and *elaboration of structure*. Although the model is not dedicated to describing the characteristics associated with each stage of the organizational life cycle, the four stages are distinctive in terms of the criteria of organizational effectiveness. Hence, the stages can provide indicators to determine which stage of organizational life cycle an organization is at.

According to Quinn and Cameron, in the *entrepreneurial stage*, organizational effectiveness emphasizes its flexibility, growth, resource acquisition, and development of external support. The main goal is to investigate how well the organization meets the criteria for growth, resource acquisition, external support, and readiness. Nyssens (2006), for example, discusses the achievement of a “survival threshold” and the stabilization of resources as prerequisites for organizational success. Adizes (1979) specifies “dreaming” and entrepreneurship as activities necessary to establish the organization during its first developmental stage.

In the *collective stage*, effectiveness criteria emphasize the human relations aspect, including human resource development, morale, cohesion, and human need satisfaction. Katz and Kahn (1978) describe effective organizational activities during this stage as resulting from “the cooperative response of people based on their

common needs and expectations” (p. 71). Torbert (1974) suggests that group unity and psychological contracts are typical of effective organizations at this stage.

In the *formalization and control stage*, organizational stability, efficiency of production, rules and procedures, and conservative trends typify organizations. This stage features goal setting and goal attainment, productivity, efficiency, information management, communication, and stability control. Lyden (1975) recommends evaluating effectiveness quantitatively during this stage using productivity measures and efficiency ratios. Adizes (1979) lists the major indicators of effectiveness at this stage as follows: achieving efficiency, being results-oriented, and having established plans and procedures for getting things done (goals).

The fourth stage, *elaboration of structure*, is the stage in which the organization monitors the external environment to renew itself and/or expand its domain. At this stage, structure decentralization occurs and a balance between differentiation and integration is necessary. Lippitt and Schmidt (1967) contend that in the maturity stage, achieving uniqueness, responding to diverse societal needs, and seeking new growth opportunities become major concerns.

Table 2: appended at end

External Factors that Influence SE Development in Rural Tourism

In China, major external factors that influence SE development in rural tourism include government policies, social innovation, and stakeholders (Wang, 2013; Yu et al., 2011).

SEs are also significantly affected by government policies. Governments are regarded as the most important cooperative partners of SEs, with mutual participation and responsibilities (Mu, 2013; Wang, 2013). In the long run, SEs are positioned to

supplement the insufficiencies of public service.

Social innovation is an important influencing factor in the establishment of SEs and a precondition for the future development of SEs. According to Soule, Malhotra, and Clavier (2017), “Social innovation is the process of developing and deploying effective solutions to challenging and often system social and environmental issues in support of social progress.” Social innovation, which encourages the collaboration of constituents across government, business, and the nonprofit world, is an external factor shaping the overall environment of the society and creating social change in all of its manifestations (Phills, Deiglmeier, & Miller, 2008).

Mair & Mart (2006) mentions that social innovation satisfies social demands and performs creative services and activities during the process of social structure change and diffusion. Driving forces that push innovation forward includes dissatisfaction toward current social situations and the perception of actual and ideal states. Sources of innovative driving forces are individuals with the ability to spread views and make things happen, as well as social activities that enable people to solve problems by themselves (Burga & Rezaia, 2016).

The establishment of civic society is an important issue in modern China. Social innovation, which can provide development services that personal and public departments are unable to, is regarded as an effective approach to improve society (Ding, 2005), while actively pushing forward the development of SE and social entrepreneurship (Hu, 2012). Therefore, SEs in China are considerably affected by the wave of social innovation throughout the country.

Stakeholders’ influences on SE also affect the development process. Stakeholders are an important influencing factor for SE development (Liu, 2013). The term stakeholder is defined as an entity “which either: is harmed by, or benefits from the

corporation: or whose rights can be violated, or have to be respected by the corporation” (Crane & Matten, 2010). According to Freeman (1994), there are three levels of stakeholders: (1) macro stakeholders, which comprise society, community, environment, economy, (2) micro stakeholders, which consist of employees, customers, suppliers, owners/investors, and (3) meta stakeholders, which include governing bodies, regulators, and media. SEs are influenced by the abovementioned types of stakeholders in the whole development process (Sautter & Leisen, 1999).

Based on the matrix model of influence and interest relationship (Table 3), stakeholders of rural tourism can be divided into three types: core, relevance, and extension. Community residents are the most influential factors and are the interest group with the highest interests.

Table 3: appended at end

The role of community residents in China is limited by the constraining land system. As the main resource of rural areas, rural land is the basic resource for rural tourism development. However, under the socialist ideology embraced by China, collective ownership of land results in the absence of individual proprietorship (Ji, 2012). Local governments serve as agents who enforce land ownership and distribute rights to use small parcels of land to individual farmers. These small parcels cannot be traded freely. This land system causes difficulties in the large-scale development of rural tourism, leading to contradictions between dispersibility of rural land utilization and centralization requirements of rural tourism (Huang, 2012). Consequently, SE becomes the organization accepted by many stakeholders, representing the interests and desires of community residents and acting on economic activities for local

governments to push community development forward without changing the basic land system in rural areas (Liu, 2013).

Internal Factors that Influence SE Development in Rural Tourism

In mainland China, social capital oriented by entrepreneurs and enterprises (Chen, Teng & Shen, 2009), participation of communities where the SE is located (Liu, 2013), construction of communities (Nicholls, 2006; Niu, 2012), and benefit distribution within enterprises (Hu, 2012) are among the internal influencing factors on the development of SE in rural tourism.

Social capital plays a significant role in the establishment and development of SE. Social capital is a resource from social networks and is embedded in individuals or organizations (Nahapiet & Ghoshal, 1998). Under different environments, the rapid development of enterprises is influenced by the social network where it is embedded. Li, Zhu, Wang, and Shi (2012) argue that social capital can boost resource support for business ventures, provide legality, and reduce transaction cost. The acceleration of enterprise development during the period of establishment and growth is stronger than that of during the mature period.

Community involvement greatly influences SE in rural tourism and is an important factor of tourism sustainable development. Social involvement requires adequate consideration of ideas and demands of community residents during tourism planning, development, and management, and thus, it can serve as the dominant force in tourism development and participation (Bao & Sun, 2006). In China, failures of community involvement and tourism development can be attributed to three aspects: power failure, absence of opportunities, and ability deficiency (Zuo, 2011). Problems caused by community involvement usually originate from conflicts of interest. Zuo

and Bao (2012) believes that community involvement is substantially related to income distribution and management after tourism resources transform into assets or capital; the imperfection of the current system results in an unattainable participation right for community residents, who are deprived of their freedom to participate.

Table 4: appended at end

Community building is influential to the overall construction of SE in rural tourism. Community building can be traced from the ideal picture of Japan's postwar urban communes depicted by Japanese scholars. The ideas cover five connotations: overall participation of residents, review of local culture, mutualism between human and nature, mutual friendship, and value innovation, as well as advocating social resources (Nishimura, 2007). Localized customs and beliefs are the lasting powers for community development and comprise the core of integrating community consciousness. With consensus on community development, the full initiative of social organizations can aid in the full realization of the sustainable development of communities (Wang, 2013).

Finally, interest distribution decides the strategic development trend of SE. Different from the emphasis of SE during development, community residents focus primarily on economic interests, and then, social interests in rural tourism development.

Niu (2012) points out that community involvement refers to effective communication among all parties, such as the governments of tourist destinations and administering authorities, and requires listening to community residents' hopes and views on tourism development, equitable distribution of tourism benefits, and the

establishment of a fair and reasonable system. Current studies have found that problems existing in community residents' perception are focused mainly on the unequal participation of operating management, excessive commercialization, tense neighborhood (Lian, 2005), unfair income distribution, and unprotected land rights (Liu, 2013).

A Theoretical Framework of SE Development in Rural Tourism

SEs rooted in communities can offset the uneven distribution of governmental resources and strengthen the participation and ability of the community residents to develop the district (Huang, 2012). Murphy (1985) proposed the theory of "community-involving development of tourism" in which he integrated the "community method" and development ideas of tourism. Tourism has been considered a community industry that starts from community interests and focuses on district balance and human development. Hence, tourist destinations can be sustainably constructed.

The community has always been excluded from practices carried out in China (Guo & Huang, 2011). Du & Qin (2011) finds that residents' community attachment in destinations can be improved by enhancing the sense of community involvement, decision-making ability, and benefit sharing of residents in sightseeing districts. The best way to realize these goals is through the SEs. The isolated geographic situation and limited natural resources of islands make the role of the local community even more important (Murphy, 1985). SEs have been proven to be an excellent means to engage local participants.

To summarize, the authors have evaluated and concluded on the influencing factors in the SE development of rural tourism construction.

Table 5: appended at end

Through the integration of the three-stage mode of social entrepreneurship proposed by Dees, Emerson, and Economy (2002a) (Figure 1), as well as the four-stage mode of enterprises development proposed by Quinn and Cameron (1983), a theoretical framework depicting the life cycle of SEs and the characteristics of each stage are provided in this paper (Figure 2).

Figure 1. Mode of the three stages in social entrepreneurship.



Figure 2. Life cycle of social enterprises.



Research Method

An interpretative case study method was adopted because of the exploratory nature of this study, with data collected from history information, semi-structured interviews, and participant observations in BEV. As a pioneering, community-led eco-tourism development in rural China, BEV was selected to be the subject of this case study. Purposive sampling method, which has the advantage of selecting individuals based on their ability to provide information-rich data regarding a particular phenomenon, was used to obtain a reasonable diversity of participants. The interviews were stopped when analytical themes became theoretically saturated. As a result, thirteen individuals were interviewed, including seven villagers and six key informants who were involved in the development of the SE to a certain extent. In addition, another 25 villagers/volunteers were also interviewed informally to provide supplementary information.

The interview outline was divided into four parts and different questions were designed for different interviewees.

First, for village council members, respondents were asked to answer 23 questions that were categorized into six themes.

Theme 1: The present situation of the village. Question example is *“Could you briefly introduce the tourism development history and the present situation of Boxue Village?”*

Theme 2: Determinants of the future development of the village. There are 9 questions included in this theme, such as *“In the development of the village, what factors have promoted the development of the village?”* and *“Who and which organizations have provided their supports, and what kind of supports.”*

Theme 3: Methods and processes of tourism development. There are 6 questions included in this theme, such as *“What is the tourism development plan for Boxue village?”*

Theme 4: Opinions of developing Wetland Tourism. There are 4 questions included in this theme, such as *“Is there a great chance of success in developing Wetland Tourism in Boxue?”* and *“What are the major difficulties in developing wetland tourism?”*

Theme 5: Current affairs and policy on the development of Boxue village and their impacts on tourism. There are 2 questions included in this theme, such as *“Recently, the State Council has issued regulations of ecological protection and sustainable development, do you think the ecotourism of Boxue will benefit from this?”*

Theme 6: Suggestions for tourism development in Boxue Village. There is only 1 question included: *“What advice do you have on the tourism development of Boxue Village in the next 5 years?”*

Second, for government officials, the interviewees were asked to answer 19 questions that were classified into six themes.

Theme 1: The present situation of the village. Question example is *“Could you briefly introduce the tourism development history and the present situation of Boxue Village?”*

Theme 2: The management model and the competitiveness of Boxue village compared with other villages. There are 9 questions included in this theme, such as *“How to evaluate the new community model of Boxue village?”* and *“What is the biggest difficulty encountered by the village over the years? How did they solve it? As a government official, what can you do to help them?”*

Theme 3: Methods and processes of tourism development. There are 6 questions included in this theme, such as *“What is the tourism development plan for Boxue village?”*

Theme 4: Opinions of developing Wetland Tourism. There are 4 questions included in this theme, such as *“Is there a great chance of success in developing Wetland Tourism in Boxue?”*

Theme 5: Macro environment and policy impact on the development of tourism in Boxue village. There are 2 questions included in this theme, such as *“Could you share some successful cases of tourism development in other villages and towns in Xiuying District?”*

Theme 6: The perspective of the district government to the tourism development of Boxue Village. There is only 1 question included: *“What do you think are the strengths or weaknesses of Boxue Village compared with other tourist attractions in the region?”*

Third, the villagers were asked to answer 24 questions that were grouped into five themes.

Theme 1: The decisive factors for the future development of the village. There are

4 questions listed in this sector, with an example of *“What is the biggest change in your life compared to three years ago? Where does these changes come from?”*

Theme 2: Problems in institutional design and profit distribution. There are 5 questions included in this theme, such as *“Do you think that you have benefited from tourism development of the village? What are the benefits?”*

Theme 3: Tourism resources assessment, humanities and ecology conditions. There are 6 questions included in this theme, such as *“What will you introduce to others the history and characteristics of Boxue village?”*

Theme 4: Opinions and attitudes towards specific tourism projects There are 3 questions included in this theme, such as *“What is your opinion toward the restoration of ancient villages?”*

Theme 5: Opinions of developing Wetland Tourism. There are 6 questions included in this theme, such as *“In the protection and development of the volcanic wetland, is there a conflict with the neighbouring village? ”*

Fourth, the volunteers involved in the tourism development of Boxue Village were interviewed guided by nine questions divided into four themes.

Theme 1: Volunteer's background and motivation. There are 2 questions listed in this sector, with an example of *“Where are you from and how long have you been in the village?”*

Theme 2: Opinions toward the development of Boxue Village. There are 2 questions included in this theme, such as *“What is your opinion toward the development of Boxue Village?”*

Theme 3: Stakeholders in the tourism development of Boxue Villages. There are 3 questions included in this theme, such as *“Can villagers participate in decision-making? Is the distribution of benefits reasonable? What are the contradictions?”*

Theme 4: The future development of Boxue Village. There are 2 questions included in this theme, such as “*What do you suppose the village will look like in three years?*”

Villagers, village council members, volunteers, and government officials were interviewed regarding the economic and socio-cultural influences of tourism development, their attitude toward the village council, and the changes in power distribution since the establishment of the village council. Interviews with key informants focused on tourism development in BEV, along with the evolution of the village council, factors affecting tourism development in the village, and the power relations between the village council and the administrative committee of the village. Interviews lasted from 20 to 40 minutes. All responses were recorded with the consent of the interviewees, and records were transcribed verbatim.

Data were separately analyzed by two researchers. Analysis began by conducting a line-by-line reading of the transcript. Theoretical sensitivity allowed for the identification of substantive codes based on empirical data. Connections between codes were identified through theoretical coding and ultimately resulted in major themes or categories. The coding lists were then compared after independent assessment to identify similarities and differences. Discussions ensued, and codes and categories were modified, trimmed, deleted or merged, elevated or demoted, and finally agreed on. The second author, acting as peer debriefer, read the final product to enhance the accuracy of the account. A record of all coding levels was kept to create an unbroken chain of evidence.

The Stages of SEs

Life Cycle Characteristics of SEs in Rural Tourism

BEV is located in Yongxing Town, Hainan Island (Figure 3). Enclosed by the

Haikou Volcanoes National Geological Park, the village covers an area of more than 3,000 mu (2,000,000 square meters) with a population of less than 300 in 60 families. With a history of more than 300 years, villager income in BEV was quite limited before the establishment of the council, and the village was labeled as “*impoverished*.” Journalist Chen Tongkui, a college graduate who was brought up in BEV, was inspired by the development mode of Taomi Village in Taiwan and attempted a community involvement mode in BEV. In 2009, he set up the development council of BEV, also called the SE. The mission of the development council is to “*let residents see the fortune and recreate an attractive hometown, support community building with puny power, and harmonize, as well as integrate individuals and the society to benefit others*.” Furthermore, the development council envisions a council with values of “*love and mutual assistance, kindheartedness, and loving care for the community*.”

Figure 3. Life cycle characteristics and landmark case reviews of the development council in Boxue.



From the aspects of external publicity and brand promotion, the development council studied and adopted the community involvement modes in Japan and Taiwan. Based on the framework of Figure 2, influencing factors mentioned in this case were extracted, and factors, such as government support, social innovation, internal and

external social capital, and participation of stakeholders were identified in the development and progress of the council (Figure 4).

Figure 4. Influencing factors of life cycle in the development of the council in Boxue.



Analysis of the Influencing Factors of SEs at the Entrepreneurial Stage

During the community building carried out by the village development council and led by the entrepreneur, Mr. Chen Tongkui, the social network and social capital gained through personal accumulation offset the deficiencies of the village. From the development council of BEV to infrastructure construction in the village, marks demonstrating his personal style were ubiquitous. Many interviewees mentioned that *“the newly built water tower in the village was approved by the district government because Mr. Chen wrote letters to the officials,”* and *“the newly erected utility pole was the project introduced by Chen”*. They further summarized that *“Community buildings in BEV, including the initial racing track for mountain bike cycling (MBC), culture room, and Taiwanese fruit garden were all by Chen’s contribution and efforts.”* The following table shows that projects and infrastructure construction closely connected to village development were implemented mainly by the

government as project sponsors related to the social networks and social capital of entrepreneurs.

Table 6: appended at end

At the entrepreneurial stage, the influencing factors of SEs included the following: (1) government support, whereby the government invests in SEs and infrastructure construction in rural tourist destinations; (2) support from external stakeholders of SEs, development of SEs through rural credit, support for the construction of the MBC racing track, bed and breakfasts (B&B), and agritourism operated by the development council, and participation in the council; (3) support from internal stakeholders of the SEs, village elites, and graduate–returnees participating in council construction, project implementation, and demonstrations for villagers; (4) entrepreneurial social capital, which provides a significant push for the development of SEs and plays an important role in the establishment of the council; and (5) learning and adopting social innovations. The council establisher, Mr. Chen, mentioned that he *“travelled to Taomi Village in Taiwan and applied the social innovations he learned from Taiwan and Japan to the construction of Boxue Village.”*

Analysis of the Influencing Factors of SEs at the Reform Stage

The direct influence of the development council on villagers can be found in the development of various areas in the village, including the MBC racing track, which involved land requisition from villagers, and the water tower building and ecological wetlands project that aimed to enhance the availability of domestic and agricultural water. The use of the “volcano” series as a brand for BEV, including “King of

leeches”, “volcano chicken”, and “volcano lamb”, was also promoted by the council.

Chen Tongkui felt that the characteristics of BEV rely on community involvement:

“The sceneries are similar (to the neighboring village), our advantages rely on the concerted effort... We educate people first and then introduce culture, thus the economic targets will be achieved finally.”

During interviews with the villagers, Huang Jingxing and Luo Jingqian shared that they mutually operated a field larger than 20 mu (about 13,333.3 square meters). Concerning the water issue, Huang said: *“There was always water depletion before the construction of the water tower; we needed to fetch water with buckets and carry it back. Now we don’t need to worry about water depletion any more as the water from the tower will be directly transported to the field through pipes.”*

In contrast to ordinary villagers, fruit and vegetable farmers Li Yutong and Zhou Taixian relied less on the water tower project of Mr. Chen. Li and Zhou felt that it was cheaper to fetch water from their own wells, but that they would also use water from the tower during dry winters.

Therefore, the infrastructure co-constructed by the council and the government had strong but varied influences on the villagers.

The MBC racing tracks and the presence of foreigners made the village livelier, and the form of artistic creation, as well as establishing “sister villages” with Taomi Village, developed enthusiasm from villagers. At this stage, the B&B “Home of Bulinga Keva” began to gain profits. Partial interests of the B&Bs (10% for accommodation and 5% for agritourism) were used to repay the council debt. Currently, all debts have been paid off. The traveling experience and reception that B&Bs provide serve as significant advertising for Boxue’s image. The villagers

understood that as media exposure increased through Weibo, Douban, and television, one-day tourists in Boxue Village also increased.

However, during the development stage, the council did not possess sufficient maturity in terms of system design and activity organization. Interviewees expressed their doubts on the council's decisions because they felt that decisions were pre-decided and voting was merely a procedure.

Therefore, we found that at the reform stage, the influencing factors of SE included the following: (1) the enterprise system, which has a direct influence on the benefit perception of other stakeholders; (2) the function of social capital, because the social capital of entrepreneurs and SEs gradually integrate and transform into an indivisible and important force in SE development and community involvement; and (3) the diversification of SE operation, multilateral management of B&Bs and agritourism operated by the council, and assistance provided to the council to repay debts, which have ensured the approval of SEs by stakeholders and strengthened the ability to apply economic attributes into social attributes.

Analysis of the Influencing Factors on the Life Cycle Characteristics of SE at the Standardization Stage

As members of the council change, the villagers' passion in participating in the council weakens, resulting in no other successfully developed projects. Several villagers had the following comments: "*The president of the council is selfish.*" Before the Spring Festival of 2014, Chen Tongkui returned to Boxue and dismissed the president in office in advance, in the name of the establisher.

During the first two stages of SE development, time costs were spent without allowing villagers to realize the connection between themselves and community

building, hence, the foundation of mutual trust was not properly laid. Although the council distributed bonuses to seniors in the village years earlier, many villagers continued to question the existence of the council as the conflicts of diversified interests of village members persist. The distrust on the part of the villages stems from the continuous labeling of social entrepreneurs as “*elite*.” Among their issues included the journalists, the council establisher permanently living in Shanghai, and the Director of Social Enterprise Research Center of a college in Shanghai. They further observed that in the past year, “*Chen seldom returned to the village, and the B&B is operated jointly by his brother and father*”. Several villagers were also doubtful of his behaviors and aims.

Wu Ruoping felt that the council caused conflicts with some of the villagers. “*The economy is developing, but many villagers are jealous as they have not earned anything. Some people begin to spread negative and sarcastic remarks.*” During the meeting with the villagers in early 2014, many attendees were against Chen. The dilemma the council faced did not only concern infrastructure construction and insufficient funding but also personnel assignment and changing the views of the community members.

After the entrepreneurial stage, SEs faced distrust and frustration because of the lack of emphasis on the influence of interest distribution to stakeholders.

We found that the influencing factors at the mature stage included the following: (1) Benefit sharing with stakeholders is vital to the SE because it can aid in persuading more people to operate agritourist projects after B&Bs have profited, and in establishing a connection between Boxue branding and fruits, as well as vegetable selling; (2) Injecting institutional norms and enterprise cultures are necessary to address the imperfect structure of the council and the nomination of improper

president, which has led to the stagnant development of the council; and (3) Social capital plays an important role at this stage, for instance, *“the ecological wetlands plan initiated by Chen and the ecological water storage for living.”* However, among these three factors, the last factor had the least influence.

Development Direction of SEs at the Stable Stage

The influencing factors on the four stages of SE development mentioned in this paper concerned social capital, interest distribution among villagers as stakeholders, community involvement, and regional economic image of rural tourist destinations. The influence and significance of these factors vary at different stages of council development.

With the development of the “international tourism island” in Hainan, the construction of the Haikou-Yulin Highway, and the construction of the nearby Guanlan Golf Villas, most farmers whose lands have been acquired *“earned a significant amount of money overnight”*. The legend of *“overnight fortune”* propelled more villagers to consider the compensation for land acquisition rather than long-term investments, such as B&B construction. Most villagers felt hopeless about their relationship with the council, though exceptions still exist.

Wu Ruoping states, *“There will be a large capital invested in our village, the construction of the highway has brought the village 10 million yuan and both sides of the road will also be developed (cars can drive directly from the highway into the village). If we do not cooperate with them, we will be marginalized... We can only cooperate with large capital or struggle with it.”*

Therefore, during the standardization and refinement stages of an SE, its regional integral development and life cycle development are mutually affective. Opportunities for regional economic growth and the transformation of the macro environment will

have a direct influence on SE development.

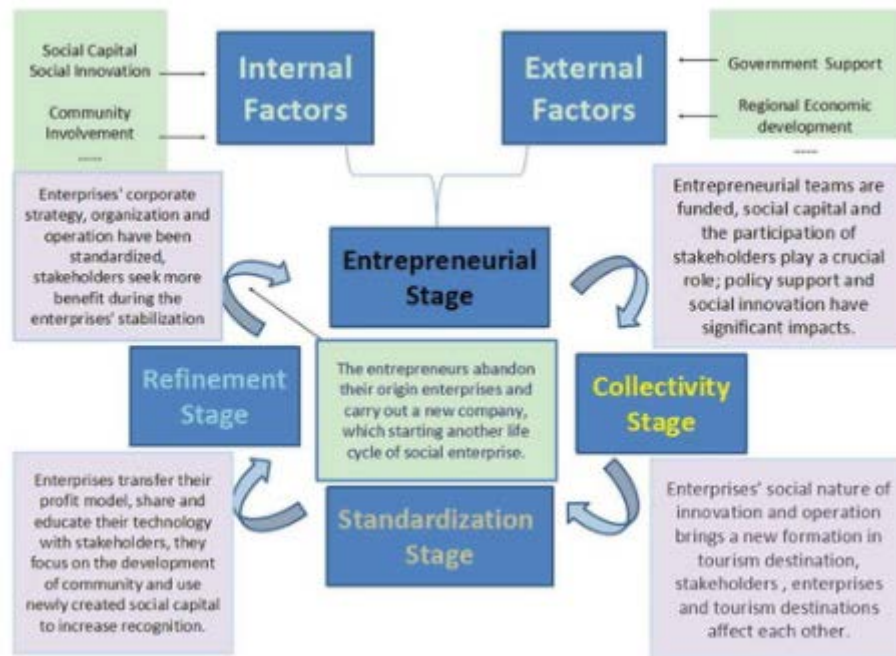
As to the changes in regional environment and policies, SEs face the following choices: (1) possible support from stakeholders, because of opportunities, sustainable development, benefit-sharing system of stakeholders in need of adjustment and perfection, and internal organizational structure and cooperative culture of SEs in need of perfection; (2) possible dissolution of the council, because when the establisher has originally operated the B&B and agritourism, enterprises were transformed into “*a money-generating project*” and the cooperation between the SE and the community was abandoned; and (3) entrepreneurship failures, because of personnel change, strategy mistakes, and policy changes.

Conclusion

The social attributes of SEs propel it into focusing on non-profit interactions in areas such as social development, environmental protection, and community concerns. SEs can also help local governments and communities to promote employment by being rooted in the daily business activities of the community. The social capital of SEs can absorb broader social resources for communities in tourist destinations, which will result in higher community involvement and social reputation. The reasonable profit distribution among SEs in rural tourism can also boost regional mutual trust and communication among community residents.

Based on the framework of the SE life cycle in rural tourism and its influencing factors, the modified models for the life cycle stages, characteristics, and influencing factors have been formulated with respect to the BEV case.

Figure 5. Correction model of social enterprises' life cycle, characteristics, and influencing factors.



First, during the entrepreneurial stage, social capital cannot be replicated and is most influential to SE development; policy support gained from regional development and SEs in rural tourism are an important foundation for SE development, and regional social innovation can be learned based on the operation mode of SEs.

Second, during the reform stage, stakeholders, including enterprise managers, operations personnel, community management, and community residents and immigrants, are the significant influencing factors. During this stage, as entrepreneurial social capital attempts to transform into SE social capital, a closer connection between the development of SEs and destinations is established.

Third, during the standardization stage, explicit business goals, profit patterns with accurate strategy positioning, and achieved social expectations are necessary. Stakeholders and benefit distribution are important factors for the continuous development of SEs. The purpose of social capital at the time is wider and SE social

attributes transform from economy into sustainable development, as well as human development of the community.

Fourth, the influencing factors of SEs at the refinement stage, on the one hand, manifest internally as structure planning at the managerial level and the balance between the daily economic operation of enterprises and the realization of social attributes and values. On the other hand, enterprises should emphasize relationships with the community and stakeholders, and seek further professional operation modes in stable development.

Finally, as to the cases studied in this paper, when an SE develops at the transitory stage between standardization and refinement, it will face the most uncertain choice since its establishment. If its social values cannot be realized in the community or be recognized by stakeholders, the SE usually dies out or transforms into a common enterprise, whereas entrepreneurs with social entrepreneurial spirit can start new SEs.

In this paper, the life cycle characteristics of SE and the influencing factors at each stage were re-integrated to analyze the role of SEs in the development of China's rural island tourist destinations. The influence of the involvement and benefit sharing of local residents were analyzed based on case studies in the context of China's rural tourism in Hainan Island. As to the aspect of social attributes, the functions and values of SE and tourist destinations may be coincidental. Hence, cooperation opportunities can be sought through bilateral development. Local residents of rural tourist destinations should enhance their levels of knowledge and cultural qualities, based on the integral protection of local culture and cultural inheritance. They should also strengthen participation in community construction, strive to be included in the negotiation and communication with related departments in the process of local

construction and development, and realize a more powerful right to speak on the aspects of hometown image-building and improvement of material conditions.

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Tables

Table 1. Theoretical explanations of burgeoning social enterprises.

Theory	Author(s)	Content
State/market failure theory	Haugh and Kitson (2007)	Government failure and market failure lead to the rise of the third sector
	Spear (2001)	In the era of globalization, government cannot meet the needs of development, and free market would lead to unfair distribution of commodities, thus promoting the emergence of social enterprise
Resource Dependence Theory	Froelich (1999)	In order to cope with the reduction of government funding and charity donation, non-profit organizations rely more on commercial income
	Eikenberry and Kluver (2004)	When the government and private funders changed their behaviors, one strategy for non-profit organization is to earn income through market
	LeRoux (2005)	When the range of services provided by the non-profit organization is threatened by the limitation of fiscal environment, one corresponding strategy is to carry out entrepreneurial activities
Institutional Theory	Dart (2004)	The rise and evolution of social enterprises is related to moral legitimacy. Social enterprises should be consistent with the society's ideology. Under the framework of moral legitimacy, social enterprise is not only a kind of organization to earn income and achieve goals, but also a preferred organizational model
Social origins Theory	Kerlin (2009)	Different social-economic background and historical traditions lead to different social enterprise activities. In a particular society, social enterprises are more or less related to four factors: civil society, government capacity, market operation, and international aid

Table 2. Characteristics at different stages of the life cycle of social enterprises development.

Stage	Authors	Enterprise features
Entrepreneurial stage	Scott (1971)	Single product; using centralized and personalized leadership to reduce operation cost
	Greiner (1972)	Rely on technological progress, innovation and entrepreneurship to survive; using informal communication and simple organizational structure
	Adizes (1979)	Use financial resources to survive
	Lin (2010)	Face a shortage of physical capital, low human capital maturity, a lot of time costs
	Liao (2013)	Vision and strategic tactical disjointed
Collectivity stage	Thain (1969)	Entrepreneurs have to subordinate authority, impossible to do everything by oneself
	Scott (1971)	Expand rapidly, start to diversify; gradually improve the organization, become more standard, specialized and functional
	Katz (1978)	More and more emphasis on the stability of rules and regulation
	Lin (2010)	Enterprises have a certain amount of risk tolerance, pay attention to culture nurtured, make enterprises institutionalization and standardization, closely connect integrated needs with employee needs
Standardization stage	Lippitt (1967)	Rigid organizational rules and regulations will hinder business resilience
	Scott (1971)	Take measures to improve flexibility
	Lin (2010)	Continue to launch new projects to achieve new economic benefits, plan long-term human capital training and development system
Refinement stage	Lorange (1987)	Rapid growth and expansion makes enterprise arrogant, inflexible, with a rigid culture, and short-sighted
	Adizes (1989)	Blind optimism, lack of communication, strategic conservative, more groupthink and distrust in the group
	He (2008)	Unable to perceive important environment changes, organizational structure, decision-making processes, and information management program cannot meet the growing needs of the organization
	Chen (2009)	Have less attention to the interests of stakeholders than other life cycle stages, may have potential to damage group interests

Table 3. Matrix model of influence and interest relationship.

	Low influences	High influences
Low benefits	Groups with minimum priority	Helpful in the formation of resolutions, ideas and conclusions
High benefits	Important groups with improving abilities	The most important groups

Table 4. Main projects of infrastructure construction in Boxue Ecological Village.

No.	Content	Completion Time	Project Implementers
1	Water tower	2009	Government (Chen Tongkui wrote to Hainan province to get support, including money and construction)
2	Siyuan wells	December, 2009	Government
3	Bicycle competition trails built on mountain	December, 2009	Chen Tongkui (70,000 RMB in total, part of the fund came from villagers with no interest, all given back to villagers by now)
4	Taiwan fruit garden	May, 2011	Government (under the support from the Taiwan Affairs Office in Hainan Province), Luo Zheng helped Boxue ecological village connected with Taiwai Taomi village, made them 'the first sister villages in mainland China and Taiwan'
5	Boxue ancient village	2011	Government
6	Culture room for villagers	2011	Government (250,000 RMB budget invested by the department of Cultural Affairs, and Sports Bureau of Xiuying City; basketball star Yao Ming)
7	Farmhouse named after 'rosewood family'	December, 2011	Chen Tongkui (700,000 RMB in total from his relatives, NGO funding and 'honorary family')
8	Basketball and volleyball court	February, 2012	Government
9	Village road	2012	Government
10	Highway	November, 2012	Government (but the investment for the construction of the road linked to the highway from village were paid by all villagers)
11	Transmission lines	December, 2012	Government of Xiuying City

Table 5. Difference of community involvement between Mainland China and Japan/Taiwan.

Comparison	Japan/Taiwan	China
Social background	Civil society with high degree of democratization	Low degree of democratization
Benefit seeking	Pursuit of income and positive impact	Pursuit of economic interests, bring better income, employment, and raise living standards
Activity	Active participation: people have voices before, during and after things happened with a platform of social and institutional basis; have rights of control and selection	Relatively passive: people in the community being ignored and in a state of aphasia; because of the conflict, government and enterprises have to deal with problems and accept community involvement
Comparison of power	Government and community have equilibrium power: with governments making decisions, community can protect their interests, and are able to compete with governments and developers; NGOs have balanced power	Governments make decisions, communities don't have enough power to contend with them; civil organizations can't balance the power
Degree of involvement	Deep planning: participate in every aspect such as planning, management, operation, and sharing interests	Most of them still not involved, while they begin to have benefit-sharing demand, but still below the scope of economy

Table 6. The interest appeal and expression of the driving forces (stakeholders) for the development of Boxue Ecological Village.

Stakeholders	Interest Demands	Expressions of Interest
Representative of Government: Village Committee	Develop tourism to promote local economy	Enhance the overall image of the area
	Enhance the overall image of the area	Public infrastructure Policy support
Representative of Social enterprise: Development Council	Make people, make goods, make money	Long-term survival and development to get returns
		Gain the help from government Seek external resources from social capital
Community residents	Increase revenue, improve quality of life	Participate in community construction, access to social needs
		Looking for social capital to expand business chain, seek more benefit-sharing
Tourists and Volunteer	Different life experience in rural areas	Actively communicate with other stakeholders to get more in-depth experience
		Help community creation
		Safe environment for consumption
New-comings	Seek benefits and development opportunities	Participate in community creation, introduce and expand more social capital to the community